

МІНІСТЕРСТВО ОСВІТИ І НАУКИ, МОЛОДІ ТА СПОРТУ УКРАЇНИ
ХАРКІВСЬКА НАЦІОНАЛЬНА АКАДЕМІЯ МІСЬКОГО ГОСПОДАРСТВА

**ЗБІРНИК ТЕКСТІВ І ЗАВДАНЬ
ДЛЯ ОРГАНІЗАЦІЇ ПРАКТИЧНОЇ РОБОТИ
З ДИСЦИПЛІНИ**

«ІНОЗЕМНА МОВА (ДОДАТКОВО)»

(АНГЛІЙСЬКА МОВА)

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Збірник текстів і завдань для організації практичної роботи призначений для студентів денної форми навчання, які в майбутньому працюватимуть у сфері економіки та підприємництва. Головною метою збірника є формування навичок читання і розуміння інформації з англійських джерел та засвоєння необхідного обсягу лексичного матеріалу, що відповідає вимогам професійно-орієнтованого навчання іноземній мові. Зміст завдань відповідає вимогам програми навчальної дисципліни «Іноземна мова», тематика текстів сприяє розширенню обсягу сучасної англійської науково-технічної лексики. Запропонована інформація є необхідною для ефективного виконання професійних обов'язків майбутніх спеціалістів.

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INTRODUCTION

These educational materials are designed for the 2nd year students of the speciality “Economics of enterprises” and “Business accounting and Audit” to develop their knowledge and skills in English language according to their profession.

The manual is based on the authentic texts concerning the economic problems from different sources. It contains key vocabulary, texts for reading and translation, tasks on reading comprehension, vocabulary tasks. It has 5 units.

Each unit contains:

- authentic texts for reading, translation and discussion in class;
- activities on vocabulary;
- activities on reading comprehension;
- additional texts with tasks.

The manual can be recommended both for using in class and for students' self-study.

UNIT 1

MONEY AND MONETARY POLICY

Text 1

I. Think and answer the following questions:

1. What do you know from the history of money?
2. Can you give any examples of things that were used as money in the previous societies?
3. Do you see any advantages of a barter system?
4. What functions does money serve in modern societies?
5. What body is responsible for monetary policy in the country?

II. As you read the text, focus on the types and functions of money.

Money and its Functions

Historically, many commodities, ranging from precious metals to cigarettes, have been used as money. In prisoner-of-war camps, cigarettes served as money. In the nineteenth century money was mainly gold and silver coins. These are examples of **commodity money**, ordinary goods with industrial uses (gold) and consumption uses (cigarettes) which also serve as a medium of exchange. In most modern societies, however, commodities are rarely used as money because they are expensive. Instead, they use **fiat money**, that is mainly paper currency issued by governments and deposits in checking accounts that are accepted as a means of payments for goods and services. Fiat money is sometimes called **token money**. By collectively agreeing to use fiat money, society economizes on the scarce resources required to produce money as a medium of exchange. The essential condition for the survival of fiat money is the restriction of the right to supply it. Private production is illegal.

Society enforces the use of fiat money by making it legal tender. The law says it must be accepted as a means of payment.

In modern economies, fiat money is supplemented by **IOU (I owe you) money**. IOU money is a medium of exchange based on the debt of a private firm or individual. A bank deposit is IOU money because it is a debt of the bank. When you

have a bank deposit the bank owes you money. Bank deposits are a medium of exchange because they are generally accepted as payment.

Although the crucial feature of money is its acceptance as the means of payment or **medium of exchange**, money has three other functions. It serves as a **unit of account**, as a **store of value**, and as a **standard of deferred payment**. We discuss each of the four functions of money in turn.

Money, *the medium of exchange*, is used in one-half of almost all exchanges. Workers exchange labour services for money. People buy or sell goods in exchange for money. Money is the medium through which people exchange goods and services.

To see that society benefits from a medium of exchange, imagine a barter economy. A barter economy has no medium of exchange. Goods are traded directly or swapped for other goods. In a barter economy, the seller and the buyer each must want something the other has to offer. Each person is simultaneously a seller and a buyer. There has to be a double coincidence of wants.

Trading is very expensive in a barter economy. People must spend a lot of time and effort finding others with whom they can make mutually satisfactory swaps. The use of money – any commodity generally accepted in payment for goods, services, and debts - makes the trading process simpler and more efficient.

The unit of account is the unit in which prices are quoted and accounts are kept. In Britain prices are quoted in pounds sterling; in America in dollars. It is usually convenient to use the units in which the medium of exchange is measured as the unit of account as well. However there are exceptions. During the rapid German inflation of 1922-23 when prices in marks were changing very quickly, German shopkeepers found it more convenient to use dollars as the unit of account. Prices were quoted in dollars even though payment was made in marks, the German medium of exchange.

Money is a store of value because it can be used to make purchases in the future. To be accepted in exchange, money has to be a store of value. Nobody would accept money as payment for goods supplied today if the money was going to be worthless when they tried to buy goods with it tomorrow. But money is neither the only nor necessarily the best store of value. Houses, stamp collections, and interest-bearing bank accounts all serve as stores of value. Since money pays no interest and its real purchasing power is eroded by inflation, there are almost certainly better ways to store value.

Finally, *money serves as a standard of deferred payment* or a unit of account over time.

III. Match the words from A with their synonyms from B.

A

- 1) illegal
- 2) restriction
- 3) crucial
- 4) to consume
- 5) to benefit
- 6) wasteful
- 7) exchange
- 8) to defer
- 9) scarce

B

- a) to postpone
- b) limitation
- c) against law
- d) rare
- e) to profit
- f) barter
- g) to use up
- h) vital
- i) costly

IV. The text contains a number of common verb-noun partnerships (e.g. to store money, to make purchases...). Match up the verbs and nouns below to make common collocations.

A

- 1) consume
- 2) exchange
- 3) quote
- 4) keep
- 5) bear
- 6) deferred
- 7) serve

B

- a) prices
- b) interest
- c) money
- d) goods and services
- e) payment
- f) accounts
- g) as a store of value

V. Match the Russian word-combinations with their English equivalents.

A

- 1) счётная единица
- 2) обоюдное совпадение потребностей
- 3) средство сбережения
- 4) средство обращения
- 5) единица отсроченного платежа
- 6) обменивать на другие товары
- 7) уменьшаться в результате инфляции
- 8) взаимовыгодный обмен

B

- a) to be eroded by inflation
- b) a unit of account
- c) a medium of exchange
- d) a store of value
- e) to swap for other goods
- f) a standard of deferred payment
- g) a double coincidence of wants
- h) legal tender

9) законное средство платежа

i) a mutually satisfactory swap

VI. Read and learn new words.

bill *n* – счёт; вексель; (AmE) банкнота

utility ~ счёт за коммунальные услуги

treasury ~ – казначейский вексель

cost *n* (*syn.* expenses, expenditures) – издержки, затраты, стоимость

historical ~ – цена приобретения, уплаченная за активы в период их первоначального приобретения или строительства

replacement ~ – восстановительная стоимость

exchange *n* – средство, обмен

medium of ~ – средство международных расчетов

forgone interest – упущенные проценты

fee *n* – вознаграждение; денежный взнос

monetary *adj* – денежный

~ base–денежная база (часть денежной массы, которая признаётся в качестве резервов банковской системы)

~ policy–денежно-кредитная политика

money *n* – деньги

precautionary demand for ~ – спрос на деньги для непредвиденных расходов

speculative demand for ~ – спекуляционный спрос на деньги

transactions demand for ~ – спрос на деньги для совершения сделок

~ multiplier – денежный мультипликатор

fiat/token ~ – неразменные бумажные деньги, денежные знаки

IOU (I owe you) ~ – деньги, которые будут получены по необеспеченному обязательству платежа

securities *n*–ценные бумаги

government ~ – государственные ценные бумаги

tender *n*–тендер, предложение

legal ~ –законное средство платежа (виды денег, которые кредитор обязан по закону принимать при погашении долга)

velocity *n* – скорость обращения денег

withdrawal penalties – несение убытков в результате отвлечения капитала

VII. Complete the sentences.

1. Commodity money is...
2. Fiat money is ...
3. In modern economies, fiat money is supplemented by ...
4. Money is the medium through which...
5. The unit of account is the unit in which...
6. Money is a store of value because...
7. A standard of deferred payment or a unit of account...
8. In a barter economy, the seller and the buyer each must want something...

VIII. Choose the correct answer:

1. A direct exchange of fish for corn is an example of:
 - a. storing value.
 - b. a modern exchange method.
 - c. barter.
 - d. a non- coincidence of wants.
2. Which of the following is a store of value?
 - a. Money market mutual fund share.
 - b. Repurchase agreement.
 - c. All of the above are a store of value.
 - d. None of the above are a store of value.
3. Anything can be money if it acts as a:
 - a. unit of account.
 - b. store of value.
 - c. medium of exchange.
 - d. all of the above.

IX. Say whether the following is true or false.

1. Money eliminates the need for barter.
2. Any item can successfully serve as money.
3. Money is said to be liquid because it is immediately available to spend for goods.

X. Answer the questions.

1. What example of commodity money is given in the text?
2. What is fiat money?

3. What is fiat money supplemented by in modern economies?
4. In what way does society enforce the use of fiat money?
5. Why can a bank deposit serve as an example of IOU money?
6. How are goods exchanged in a barter economy?
7. Why is trading expensive in a barter economy?
8. What else can be used instead of money as a store of value?
9. What are the four functions of money? What do they imply?

Text 2

I. Read the text and think of a proper title for it.

Monetary policy is a central government policy with respect to the quantity of money in the economy, the rate of interest and the exchange rate.

Let us consider the demand and supply for money.

Why do people hold (demand) currency and checkable deposits (M1), rather than putting their money to work in stocks, bonds, real estate, or other nonmoney forms of wealth? John Maynard Keynes, in his 1936 work entitled *The General Theory of Employment, Interest, and Money*, gave three important motives for doing so: transactions demand, precautionary demand, and speculative demand.

The *transactions demand for money* is the stock of money people hold to pay everyday predictable expenses. The desire to have "walking around money" to make quick and easy purchases is the principal reason for holding money. Without enough cash, the public must suffer forgone interest.

People have a second motive to hold money, called the *precautionary demand for money*. The precautionary demand for money is the stock of money held to pay unpredictable expenses. This is the "mattress money" people hold to guard against those proverbial rainy days.

The third motive for holding money is the *speculative demand*. The speculative demand for money is the stock of money held to take advantage of expected future changes in the price of bonds, stocks, or other non-money financial assets. It is the so called "betting money."

As the interest rate falls, the opportunity cost of holding money falls, and people increase their speculative balances. *Money supply* comes in many forms, including currency, demand deposits, time deposits, and plastic money.

The narrowest commonly used measure of money M1 consists of currency (bills, coins, money orders and travelers checks) and current accounts (AmE -

checking accounts).

A broader measure M2 includes M1 plus saving accounts.

When the money supply *increases*, people have more money to spend, and demand for goods and services increases. As demand increases, businesses hire additional workers to increase output. This is an economic growth scenario. But, if output does not keep pace with demand, prices increase. When prices rise continuously, inflation results. This tends to cause problems for people whose incomes do not increase at a rate consistent with inflation.

II. Match the Russian word combinations with their English equivalents.

A	B
1) спрос на деньги для совершения сделок	
2) спрос на деньги для непредвиденных расходов	a) forgone interest
3) спекуляционный спрос на деньги	b) cash receipts from sales
4) планируемые расходы	c) transactions demand for money
5) упущенные проценты	d) to keep pace with smth
6) несение убытков в результате отвлечения капитала	e) withdrawal penalties
7) денежные поступления от продаж	f) to increase at a rate consistent with inflation
8) финансовые активы, приносящие доход	g) the speculative demand
9) альтернативные издержки от хранения денег	h) interest-bearing financial assets
10) при прочих равных условиях	i) ceteris paribus
11) взаимные фонды денежного рынка	j) predictable expenses
12) возрастая на уровне, соответствующему уровню инфляции;	k) time deposits
13) поспевать за чем-либо	l) the opportunity cost of holding money
14) срочные вклады	m) the precautionary demand
	n) money market mutual funds

III. Match the kind of demand for money in A with the stock of money people hold B and the definitions that follow.

A	B
1) The transactions demand for money	a) “betting money”

- | | |
|---------------------------------------|---------------------------|
| 2) The precautionary demand for money | b) “walking around money” |
| 3) The speculative demand for money | c) “mattress money” |

1. The stock of money people hold to pay unpredictable expenses.
2. The stock of money people hold to take advantage of expected future changes in the price of bonds, stocks, or other non-money financial assets.
3. The stock of money people hold to pay everyday predictable expenses.

IV. Choose the correct answer.

1. The stock of money people hold to pay everyday predictable expenses is the:
 - a. transactions demand for holding money.
 - b. precautionary demand for holding money.
 - c. speculative demand for holding money.
 - d. store of value demand for holding money.
2. The stock of money people hold to take advantage of expected future changes in the price of bonds, stocks, or other nonmoney financial assets is the:
 - a. unit-of-account motive for holding money.
 - b. precautionary motive for holding money.
 - c. speculative motive for holding money.
 - d. transactions motive for holding money.
3. Which of the following statements is true?
 - a. The speculative demand for money at possible interest rates gives the demand for money curve its upward slope.
 - b. There is an inverse relationship between the quantity of money demanded and the interest rate.
 - c. According to the quantity theory of money, any change in the money supply will have no effect on the price level.
 - d. All of the above.

V. Discuss the following questions with your partner.

1. Why do people hold (demand) currency and checkable deposits (M1), rather than putting their money to work in stocks, bonds, real estate, or other nonmoney forms of wealth?
2. What's the main reason for having 'walking around money'?
3. What are the consequences of lacking cash?

4. What is the precautionary demand for money based on?
5. What do precautionary balances help to avoid?
6. What is the speculative demand for money held for?
7. Why do people prefer to invest in stocks and bonds when the interest rate is high?
8. What happens to the opportunity cost of holding money when the interest rate falls?
9. What does a demand for money curve represent?
10. What does the money supply of the U.S. consist of?
11. What measures can be taken to regulate the money supply?
12. What may happen if output does not keep pace with demand?

Text 3

I. Read and translate the following definitions:

- **Medium of exchange** is the most important function of money. This means that money is widely accepted in payment for goods and services.
- **Unit of account** is another important function of money. Money is used to measure relative values by serving as a common yardstick for valuing goods and services.
- **Store of value** is the ability of money to hold its value over time. Money is said to be highly liquid, which means it is readily usable in exchange.
- The **demand for money** in the Keynesian view consists of three reasons why people hold money: (1) Transactions demand is money held to pay for everyday predictable expenses. (2) Precautionary demand is money held to pay unpredictable expenses. (3) Speculative demand is money held to take advantage of price changes in nonmoney assets.
- An **excess quantity of money demanded** causes households and businesses to increase their money balances by selling bonds. This causes the price of bonds to fall, thus driving up the interest rate.
- An **excess quantity of money supplied** causes households and businesses to reduce their money balances by purchasing bonds. The effect is to cause the price of bonds to rise, and, thereby, the rate of interest falls.
- **Monetarism** is the simpler view that changes in monetary policy directly change aggregate demand and thereby prices, real GDP, and employment. Thus, monetarists focus on the money supply, rather than on the rate of interest.
- **Monetary base** is the stock of an economy's most liquid financial assets.

II. Read the text and compare the macroeconomic theories of different schools of economic thought. Explain the difference between the Keynesian and the monetarist views on how an increase in the money supply causes inflation. Note the similarity between the classical and the monetarist schools.

Classical Economics

The dominant school of economic thought before the Great Depression was classical economics. The basic theory of the classical economists, introduced by Adam Smith in *The Wealth of Nations*, was that a market-directed economy will automatically correct itself to full employment. Consequently, there is no need for fiscal policy designed to restore full employment.

A key assumption of classical theory is that, given time to adjust, prices and wages will decrease to ensure the economy operates at full employment. A decrease in the aggregate demand curve causes a temporary surplus, which, in turn, causes businesses to cut prices and, in turn, causes more goods to be purchased because of the real balances effect. As a result, wages adjust downward, and employment rises. Classical economists therefore view the economy as operating in the long run along a vertical aggregate supply curve originating at the full-employment real GDP.

Keynesian Economics

The Great Depression challenged the classical prescription to wait until markets adjust and full employment is automatically restored. As the unemployment rate rose to 24.9 percent in 1933, people asked how long it takes for the market mechanism to adjust. John Maynard Keynes responded with this famous saying, "In the long run we are all dead." Keynes and his book, *The General Theory*, attacked classical theory and in the process revolutionized macroeconomic thought.

Using fiscal policy to affect aggregate demand is a cornerstone of Keynesian economics. While Keynesians believe monetary policy is often not very powerful, especially during a downturn, they perceive fiscal policy as their "top banana." However, Keynesians recognize that one of the potential problems of fiscal policy is the crowding-out effect. Financing a federal deficit by borrowing competes with private borrowers for funds. Given a fixed money supply, the extra demand from the federal government to finance its deficit causes the interest rate to rise. As a result, businesses cut back on investment spending and offset the expected increase in aggregate demand. The Keynesian view, however, is that the investment demand

curve is not very sensitive to changes in the interest rate and therefore only a relatively small amount of investment spending will be crowded out. Thus, the decline in investment only slightly counteracts or offsets an increase in aggregate demand created by a deficit.

Conclusion: *Keynesians view the shape of the investment demand curve as rather steep or vertical, so the crowding-out effect is insignificant.*

Monetarism

Monetarists are iconoclasts because they attack the belief in the ability of either the Fed or the federal government to stabilize the economy. They argue that fiscal policy is an essentially useless tool, having little or no impact on output or employment because of a total crowding-out effect. Suppose the money supply remains fixed and the federal government borrows to finance its deficit. The intended goal is to increase aggregate demand and restore full employment. According to the monetarists, financing the deficit will drive up the interest rate and crowd out a substantial, not a small, amount of investment spending. The reason is that the monetarists view the investment demand curve as sensitive to changes in the interest rate, and therefore, greater amounts of investment spending will be crowded out. As a result, the net effect is no increase in aggregate demand and no reduction in unemployment.

Conclusion: *Monetarists view the shape of the investment demand curve as less steep or more flat, so the crowding-out effect is significant.*

Although the monetarists do not trust the Federal Reserve to use discretionary monetary policy, they are quick to point out that only money is important. Changes in the money supply, the basic lever of monetary policy, have a powerful impact. Instead of ineffectual government deficit spending to cure unemployment, an increase in the money supply would definitely stimulate the economy based on the quantity theory of money. In short, changes in the money supply directly result in changes in real GDP.

Notes:

1. top banana *n slang* – главный, наиболее важный фактор;
2. crowding-out effect – эффект вытеснения;
3. iconoclast *n* – борец с предрассудками.

III. Choose the correct answer.

1. The quantity theory of money of the Classical economists says that a change in the money supply will produce a:
 - a) proportional change in the price level.
 - b) wide variation in the velocity of money.
 - c) less than proportional change in the price level.
 - d) greater than proportional change in the price level.
2. According to Keynesians, an increase in the money supply will:
 - a) decrease the interest rate, and increase investment, aggregate demand, prices, real GDP, and employment.
 - b) decrease the interest rate, and decrease investment, aggregate demand, prices, real GDP, and employment.
 - c) increase the interest rate, and decrease investment, aggregate demand, prices, real GDP, and employment.
 - d) only increases prices.
3. Which of the following is true?
 - a) Keynesians advocate increasing the money supply during economic recessions but decreasing the money supply during economic expansions.
 - b) Monetarists advocate increasing the money supply by a constant rate year after year.
 - c) Keynesians argue that the crowding-out effect is rather insignificant.
 - d) Monetarists argue that the crowding-out effect is rather large.
 - e) All of the above.
4. How is modern monetarism different from Keynesianism?
 - a) Monetarists believe that inflation is caused by excessive growth in the money supply, based on the equation of exchange, while Keynesians believe that inflation is caused by excessive growth in aggregate demand.
 - b) Monetarists believe that the velocity of money is predictable, while Keynesians believe it is unstable.
 - c) Monetarists believe that wages and prices are flexible, while Keynesians do not.
 - d) Monetarists believe that crowding-out negates any positive impact of fiscal policy, while Keynesians see a clear impact of fiscal policy on aggregate demand.
 - e) All of the above.

Text 4

I. While reading the text below define the key word-combinations for describing each instrument of monetary policy. Put them down on separate sheets of paper so that to exchange the notes with your partners in class. Ask your partners to define the kind of instrument the word-combinations refer to.

Instruments of Monetary Policy

The main instrument used by a central bank to achieve its goals is *the interest rate* – also known as the discount rate or base rate. This is the rate at which the central bank is ready to lend to commercial banks. Let us look at how a rise in the discount rate affects the banking system and the financial markets.

A rise in the discount rate makes it more costly for commercial banks to borrow from the central bank. As we have just discussed, banks may wish to borrow if they feel that their level of reserves is too low. If the cost of borrowing from the central bank goes up, commercial banks are less inclined to borrow from it. Since borrowing from the central bank is also a source of bank reserves, an increase in the interest rate and subsequent reduction in borrowing from the central bank puts the commercial banks in a situation where they have less reserves than they planned to hold. In response, they will reduce their lending by increasing the rates they charge to households and firms. In practice, commercial banks react very quickly to increases in the discount rate.

Another instrument of monetary policy is *open market operations*, which involve the purchase or sale of government securities by the central bank. When the central bank buys treasury bills or government bonds from a commercial bank, it makes payment simply by increasing the amount of reserves in the account of the commercial bank. Thus, the central bank uses its monopoly power over money creation. As the level of reserves increases, the commercial banks realize that they have more reserves than they need for prudent operation. Therefore, they extend their lending to households and firms by lowering their interest rates. In contrast, when the central bank sells treasury bills or government bonds, the commercial bank will make the payment for the securities from the reserves it deposited at the commercial bank. After the transaction has been completed, the level of reserves will be lower than before, and hence the commercial banks will raise their interest rate to cut their credit to households and firms. In both cases, the change in the reserves translates into a change in the credit provided to firms and households.

Finally, the central bank also requires the commercial banks to hold a percentage of their deposits as reserves. These are called *required reserves*, and the percentage is known as the *required reserve ratio*. These reserves are meant to ensure some minimum level of prudence, even if not all commercial banks want to operate as prudently as they should. If the central bank increases the reserve ratio, then the actual reserves of the banks will fall short of the required ratio. Thus the banks will have to raise their interest rate to cut back on loans, and deposit the money freed up as reserves at the central bank. The opposite happens if the central bank decreases the required reserve ratio. Suddenly banks have more reserves than they want to hold, so they will lend the money instead of holding it at the central bank. So if the required reserve ratio increases, the commercial banks lending to households and firms falls. The opposite happens when the required reserve ratio decreases. It is important to point out that required reserve ratios are very stable – central banks do not like to change them too often.

Our discussion indicates that the level of cash deposits and commercial banks' reserves held at the central bank plays an important role in transmitting the central bank's monetary policy to the banking sector and the financial markets. The cash in circulation and the reserves of private banks together are called the *monetary base*. As we have already said, the central bank has a monopoly over money creation, more precisely, over monetary base creation. The power of a central bank rests on its ability to control the monetary base.

You may wonder, however, why the monopoly to create the monetary base makes the Bank of England or other central banks so important for the economy? After all, financial markets had become very complex and large by the beginning of the twenty-first century. If most transactions are carried out with credit cards, cheques and bank transfers, why would the ability to create cash or reserves matter?

First, we should recall that cash is still used in a large number of transactions. Although its scope and use have diminished over the last 30 years, it does not seem that cash is going to disappear in the near future. Second, even if a transaction does not involve the use of cash or reserves directly, it typically requires that someone somewhere holds a monetary base. For example, paying by cheque assumes a bank account with deposits, and the bank is required to hold a fraction of these deposits as reserves. Similarly, credit card bills must also be settled using cash or bank deposits. In the latter case, the bank has to hold the corresponding required reserves. In some sense, we can say that the whole financial system rests on the monetary base – and this makes the central bank a powerful institution.

The amount by which a change in the monetary base is multiplied to determine the resulting change in the money supply is called the *money multiplier*.

II. Read the text again and write its summary using the following questions as a plan:

1. What are the main instruments of monetary policy?
2. In what way does the rise in interest rate influence the lending provided by commercial banks?
3. What happens in the situation when the level of reserves in commercial banks increases?
4. Comment on the situation when the central bank sells bills or government bonds.
5. Why does central bank require the commercial banks to hold a percentage of their deposits as reserves?
6. What happens if the central bank increases/decreases the required reserve ratio?
7. What is monetary base?
8. How has the amount of cash changed in last decades? Why do we still need cash?

Text 5

I. Translate into Russian with a dictionary.

Monetary Policy during the Great Depression

Monetarists and Keynesians still debate the causes of the Great Depression. Monetarists Milton Friedman and Anna Schwartz, in their book *A Monetary History of the United States*, argued that the Great Depression was caused by the decline in the money supply, the changes in the price level, real GDP, and unemployment rate.

During the 1920s, the money supply expanded steadily, and prices were generally stable. In response to the great stock market crash of 1929, bank failures, falling real GDP, and rising unemployment, the Fed changed its monetary policy. Through the Great Depression years from 1929 to 1933, M1 declined by 27 percent. Assuming velocity is relatively constant, how will a sharp reduction in the quantity of money in circulation affect the economy? Monetarists predict a reduction in prices,

output, and employment. The price level declined by 24 percent between 1929 and 1933. In addition to deflation, real GDP was 30 percent lower in 1933 than in 1929. Unemployment rose from 3.2 percent in 1929 to 24.9 percent in 1933.

Friedman and Schwartz argued that the ineptness of the Fed's monetary policy during the Great Depression caused the trough in the business cycle to be more severe and sustained. As proof, let's look at the period after 1933. The money supply grew and was followed closely by an increase in prices, real GDP, and employment.

The Great Depression was indeed not the Fed's finest hour. In the initial phase of the contraction, foreign banks were fearful and withdrew large amounts of their gold from U.S. banks. To stop the outflow of gold to other countries, the Fed raised the discount rate in 1931. As a result, banks borrowed less of their required reserves from the Fed's discount window, and the money supply fell. Later the discount rate fell, but only after the economy was deeper into the Great Depression.

What should the Fed have done? Friedman and Schwartz argued that the Fed should not have waited until 1931 to use open market operations to increase the money supply. Thus, they concluded that the Fed was to blame for not pursuing an expansionary policy, which would have reduced the severity and duration of the contraction.

Finally, although the emphasis here is monetary policy, it should be noted that both monetary and fiscal policies worsened the situation. President Hoover was attempting to balance the budget, rather than using expansionary fiscal policy.

Note:

1. ineptness *n* – неуместность.

II. Translate into English with a dictionary.

Сущность денег полнее всего проявляется в их функциях. Деньги выполняют следующие функции: мера стоимости, средство обращения, средство накопления и образования сокровищ, средство платежа, мировые деньги. Первой является функция *меры стоимости*. Именно в деньгах определяется стоимость любого товара (определяется его цена). Стоит заметить, что золото выполняет данную функцию идеально. Функция денег как *средства обращения* обуславливает нормальное протекание обмена товарами. Деньги становятся посредником в любом акте товарного обмена, делая этот процесс менее сложным для товаропроизводителей. Функция денег как *средства накопления* также представляется достаточно очевидной. Накопление

денег в виде золота - это фактически накопление стоимости в наиболее ликвидной форме. Интересной является функция денег как *средства платежа*. Здесь важным представляется то, что процесс продажи и оплаты товара разрывается во времени. Между актом купли товара и его оплатой проходит некоторое время. Очевидно, что такая отсрочка может иметь место только в том случае, если продающий данный товар получит от покупателя его гарантии оплаты в определенное время. И, наконец, функция мировых денег. Здесь мы фактически утверждаем, что товар- деньги – это всеобщий эквивалент, который выходит за национальные границы, превращаясь в общемировое явление, выступая в международном товарном обмене и мерой стоимости, и средством обращения, и средством платежа.

III. Discuss the following issues.

1. What are the functions of money?
2. What is the difference between commodity and fiat money?
3. What are the basic motives for the transactions demand, precautionary demand, and speculative demand?
4. What does the money supply of the U.S. consist of? What happens when the money supply increases?
5. What are the basic instruments of monetary policy?
6. Do you think central banks should be controlled or independent from the state? How does it work in your country?
7. What is the present day base interest rate in your country?

UNIT 2

INNOVATION AND CHANGE

Text 1

“Man will never fly, not in a thousand years”

Wilbur Wright (1867-1912),

American aviation pioneer

I. What inventions and innovations do you associate with these names?

- Gillette
- Singer
- Benz
- Microsoft
- Disney
- Ford
- Edison
- Mc Donald's
- Coca Cola

What are the most important inventions and innovations for you:

a) at work? b) at home?

II. The words below are often used when talking about innovation. What do they mean? Use the Vocabulary notes if necessary.

- R&D
- brainwave
- blueprint
- prototype
- setback
- breakthrough
- patent

III. Read about the real inventions and innovations below. What is your opinion of each one? Give your reasons.

1. The laser shaver, by Frenchman Eugene Politzer, gets free of stubble (небритая борода) by burning rather than cutting.
2. The self-extinguishing (самопогашаемая) cigarette, by Danish inventor Kaj Jensen, has a container of water hidden near the filter tip (верх).
3. The petless leash (ошейник), invented by two scientists from Illinois, can mew (мяукать) or bark (лаять) depending on whether you want a nonexistent cat or dog.
4. Glow-in-the-dark (светящаяся в темноте) toothpaste was invented in America as a road safety aid.



5. Ice cubes (кубики) that crackle (трещат) louder according to the strength of your drink have been developed in Japan.
6. Economy Class passengers could be carried in pressurized containers in the holds of jets, says a Washington design firm.
7. Chocolate shock absorbers can reduce the effects of a vehicle travelling over bumpy surfaces because the chocolate becomes a gel when electrified, say Michigan scientists.

IV. Read new words and study the examples.

1. **invention** – изобретение, выдумка: *The whole story is an absolute invention. I don't believe a word of it!*
2. **to research** – исследовать: *This book has been very well researched.*
3. **development** – развитие: *This was an important stage in the country's development.*
4. **R&D – research and development**
5. **brainwave** - внезапная свежая идея: *I've just had a brainwave. Here's what we should do!*

6. **blueprint** – фотокопия: *The report is a blueprint for the reform of the nation's tax system.*
7. **prototype** – прототип, первоисточник: *"Prototype" means the first form of smth., for example of a machine or industrial product, from which all later forms develop, sometimes with improvements.*
8. **setback** – препятствие: *There is a major setback to our hopes of reaching an agreement*
9. **breakthrough** – прорыв, достижение: *What is the major breakthrough in the development of agriculture?*
10. **to make a success** – делать успехи: *I hope she makes a success.*
11. **to sweep away** – удалять, уничтожать: *This old machine was completely swept away.*
12. **dominance** – превосходство: *Our dominance of the market was reached by this new product.*
13. **to appear** – появляться: *Her new book will be appearing in the shops very soon.*
14. **to disappear** – исчезать: *These beautiful birds are fast disappearing.*
15. **to come on the scene** – появиться: *He came on the scene just when his country needed a great man to lead them.*
16. **closely related** – тесно связанный: *The fall in the cost of living is closely related to the drop in the oil price.*
17. **to compete** – конкурировать, соревноваться: *Several companies are competing to get the contract.*
18. **competitive** – конкурентоспособный: *Jane's got a very competitive nature.*
19. **advantage** – преимущество: *One of the advantages of this method is that it saves a lot of fuel.*
20. **disadvantage** – недостаток: *If you don't speak good English, you'll be at a big disadvantage when you try to get a job.*
21. **eponymous** – герой, в честь которого названо что-либо: *Hamlet is the eponymous hero of Shakespeare's play "Hamlet".*
22. **remote** – дальний, незначительный, действующий на расстоянии: *I'm afraid your chances of success are rather remote.*
23. **pioneer** – инициатор: *He was a pioneer of heart transplant operations.*
24. **to design** – проектировать, конструировать: *Who designed the Sydney Opera House?*
25. **to produce** – производить: *Canada produces high-quality wheat.*
26. **create** – создавать, изобретать: *God created the world.*

27. **essential** – всеобщий, обязательный: *Good timing is essential for our plans.*
28. **patient** – спокойный: *You need to be patient if you want to work here.*
29. **exhibition** – выставка: *The newly discovered Greek sculpture is now on exhibition at the national museum.*
30. **purpose** – цель: *This computer is not quite as powerful as the other one, but for all practical purposes it is just as good.*

V. Discuss these questions. Then read the article.

1. Do you think it is better to innovate or imitate products and services?
2. Can you name any companies which were a) innovators? b) imitators?

Why the last shall be first

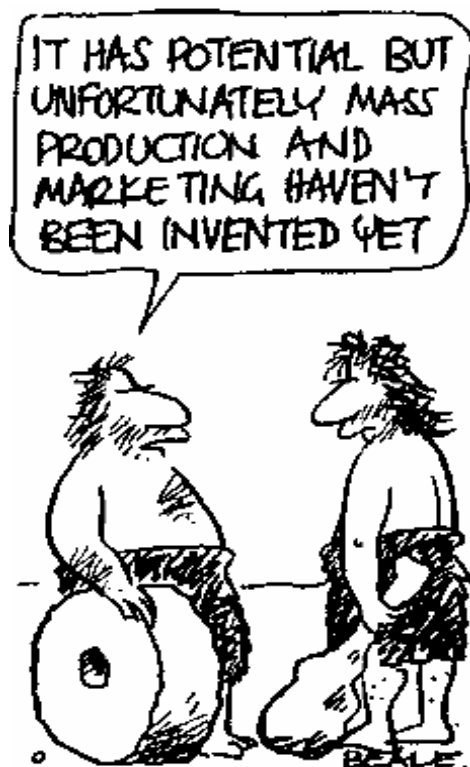
Have you heard of Berkey or Ampex? Gablinger or Chux? Perhaps you should have, because each occupies an important place in the history of product innovation. Berkey produced the first hand-held electronic calculators, Ampex the first video recorders. Gablinger developed low-alcohol beer and Chux sold the first not reusable nappies.

Or perhaps you should not, because none of these companies made a commercial success of their innovations. Today the calculators we use are probably made by Casio, our video recorder comes from Matsushita, our lowalcohol beer is

Miller Lite, our nappies are made by Proctor & Gamble. In each of these markets the innovator was swept away.

Xerox looks like an exception to this sorry catalogue. The company was first into the photocopier market and, even if its dominance was finally challenged by Canon, it remains a large and successful company today. But Xerox was also a pioneer in fax machines and personal computers. Each of these sooner or later proved to be a success but not for Xerox Corporation.

As we all know, it was Apple that developed the personal computer market. But Apple's leadership quickly disappeared when



IBM came on the scene. Apple then jumped to the lead by introducing the graphical user interface. Its windows and mice brought personal computing within the reach of everyone. But it is Microsoft that does this now.

The business world is not kind to pioneers. Even if you know how a market will develop, timing is a matter of luck - or of quite exceptional skill.

There are two closely related lessons. One is that being first is not often very important. The other is that innovation is rarely a source of competitive advantage on its own. Individuals and small companies can make a great deal of money out of good new ideas.

The success of large well-known corporations - Matsushita, Philip Morris, IBM or General Electric is generally based on other things: their power of technical expertise, their marketing skills. And time and again these characteristics make them possible to develop the innovative concept far more effectively than the innovators themselves.

This is not to say that there is no role in business for the great innovator. After all, General Electric was built on the extraordinary creativity of Thomas Edison's mind, the Ford motor company on the abilities of its eponymous founder. The imagination of Walt Disney created a company that is still without parallel or competitor. Perhaps Akio Morita of Sony occupies a similar place in the history of modern business.

VI. Answer these questions about the article.

1. What is the main point made by the writer?
2. Several well-known companies are mentioned. What reasons are given for their success?
3. What is the connection between Disney, Ford, General Electric and Sony?
4. Look at the picture. What innovation does the word *it* refer to?

Text 2

I. Read about three machines you can buy to make your life easier.

Which machine is ...

- a) the most useful?
- b) the cheapest?
- c) the most useful for cooking ideas?

- d) the most expensive?
- e) the smallest?
- f) the best one for people who hate housework?

The three most intelligent machines for your home...

**Thanks to computer chips, you can now buy machines that can think!!
Here are some of the best machines which can really make your life easier.**



The Bryson D838 Robot Vacuum Cleaner

Do you like housework? No? Then this new robot vacuum cleaner (пылесос) is the machine for you. It can clean your living room automatically. It has a computer, which tells it to go around objects such as chairs and table legs as it cleans your floor. And if a person - or your pet dog or cat - comes too close, it stops automatically. The Bryson D838 Robot Vacuum Cleaner comes with electric batteries, and costs £ 1,800.

The Freezolux Smart Fridge



A fridge which tells you what it's ot inside ... and gives you ideas about what to cook for dinner!! A visual display shows you what's inside the fridge - you don't even have to open the door, and the fridge can also tell when food is too old to use. And if you haven't got any ideas about what to cook for your family this evening ... just touch the computer screen on the door of the fridge, and you can look at over a thousand of your favourite recipes. You can also use it to send e-mails and to surf the Internet. The Freezolux Smart Fridge is more than just a fridge and costs only £ 999!

The Ultimate Power Control System



How many remote control units do you have in your house ... for the TV, the video, the CD player... now you can control everything in your house - from a light in the bedroom to your front door - using just one special remote control unit. It works with radio signals so you can do everything in your house without getting out of bed. You can even surf the Internet, send e-mails, watch videos or listen to a CD with the Ultimate Power Control System's video screen. Price - £ 45. Buy now!!

II. Read the article.

How to be a successful inventor

What do you need for an invention to be a success? Well, good timing for a start. You can have a great idea which the public simply doesn't want...yet. Take the Italian priest¹, Giovanni Caselli, who invented the first fax machine using a huge pendulum² in the 1860s. Even with the excellent quality of the reproductions, his invention quickly died a commercial death. It was not until the 1980s that the fax became an essential piece of equipment in every office...too late for Signor Caselli.

Money also helps. The Frenchman Denis Papin (1647-1712) had the idea for a steam engine³ almost a hundred years before the better-remembered Scotsman James Watt was even born...but he never had enough money to build one.

You also need to be patient (it took scientists nearly eighty years to develop something which actually worked)...but not too patient. In the 1870s, Elisha Gray, a professional inventor from Chicago, developed plans for a telephone. Gray saw it as no more than "a beauty toy", however. When he finally sent details of his invention to the Patent Office on February 14th 1876, it was too late; almost identical designs had arrived just two hours earlier...and the young man who sent them, Alexander Graham Bell, will always be remembered as the inventor of the telephone.

Of course what you really need is a great idea – but if you haven't got one, a walk in the country and a careful look at nature can help. The Swiss scientist, George de Mestral, had the idea for Velcro⁴ when he found his clothes covered⁵ with sticky seeds⁶ after a walk in the country. During a similar walk in the French countryside some 250 years earlier, Rene-Antoine Ferchault de Reaumur had the idea that paper could be made from wood when he found a vacant wasps' nest⁷.

You also need good commercial logic. Willy Higinbotham was a scientist doing nuclear research in the Brookhaven National Laboratory in Upton, USA. In 1958 the public were invited to the Laboratory to see their work; but both parents and children were less interested in the complicated equipment and diagrams than in a tiny 120cm screen with a white period which could be hit back and forth⁸ over a "net" using some buttons⁹. Soon hundreds of people were ignoring the other exhibits to play the first ever computer game – made from a simple laboratory instrument called an "oscilloscope". Higinbotham, however, never made a cent from his invention: he thought people were only interested in the game because the other exhibits were so boring!

Notes:

1. priest – священник.
2. pendulum – маятник.
3. steam engine – паровой двигатель.
4. Velcro – a trademark (торговая марка) for a material used for fastening (соединение) clothes, bags, or shoes.
5. to be covered – быть покрытым.
6. sticky seeds – липкие, клейкие семена.
7. wasp's nest – осиное гнездо.
8. back and forth – туда и сюда.
9. button – кнопка.

III. Answer the following questions in pairs.

- a** Did Caselli's "fax machine" actually work?
- b** Who designed the first steam engine?
- c** Who built the first steam engine?
- d** Why does the story show that inventors need to be patient?
- e** Who invented the first telephone?
- f** What did the inventors of Velcro and of paper have in common?
- g** What was the purpose of the exhibition at the National Laboratory at Upton in 1958?
- h** Did professor Higindotham understand the potential of his "computer game"?

IV. Discuss the following questions in pairs.

- Which information in the article did you already know?
- Which information did you find the most surprising?

V. Translate from Russian into English using the dictionary**Изобретение века**

Если наш век называют веком электроники и информатики, то штрих-код – это поистине тоже изобретение века. Придумали штрих-код американцы. В одной из диссертаций Гарвардской школы бизнеса впервые появилось его

символическое изображение. Однако новое изобретение было признано не сразу. Прошло еще около двух десятков лет, когда в США был выдан первый патент на линейный код. А практическое его использование началось в 60-х годах с идентификации американских железнодорожных вагонов. С тех пор штрих-код завоевал весь цивилизованный мир.

Если бы штрих-коду надо было придумать девиз, то он мог быть таким: «Скорость + надежность».

В развитых странах применяется кодирование информации о всех параметрах произведенной продукции с помощью разработанной международной стандартизированной системы. Код продукции состоит из ряда цифр и штрихов над ними. Цифры – это товарный номер. Обычно он состоит из 13 цифр. Первые две обозначают код банка той страны, где выпущен товар. Следующие пять указывают на производителя продукции – его порядковый номер в каталоге страны. Еще пять содержат все необходимые характеристики товара. И последняя цифра – это контрольное число, подтверждающее правильность самого кода. Полосы над штрихами – штриховой код, который представляет собой запись этого же товарного кода, но в форме, удобной для чтения с помощью компьютера. Каждой цифре товарного кода соответствует особая последовательность штрихов и пробелов.

Text 3

“There is nothing permanent except change”

Heraclitus of Ephesus (535 – 475 BC),

Greek philosopher

I. What has been the most significant change in your life?

II. Which of these business situations would worry you most? Why?

1. You read in the paper that your company will probably be merging with another company.
2. You keep your job after a merger, but you are in a less powerful position.
3. Your company has to change place to the other side of the city.
4. You are asked to move to an exotic foreign country.
5. You are promoted but are now in charge of a hostile workforce.

6. You have to decide who to make unnecessary in your new department after a merger.

III. Jack Welch successfully led General Electric through a period of great change. Do you think he sees change as a danger, an opportunity or a challenge? Read the quotations quickly. What is Welch's general attitude to change?

1. "We want to be a company that is constantly renewing itself, leaving the past behind, adapting to change. Managements that hang on to weakness for whatever reason – tradition, emotion, or their own management weakness - won't be around in the future."

2. "How do you bring people into the change process? Start with reality. Get all of the facts out. Give people the motivation for change, laying it out in clearest, most dramatic expressions. When everybody gets the same facts, they'll generally come to the same finale."

3. "The difference between winning and losing will be how the men and women of our company view change. If they see it as a threat, we lose. But if they are provided with the educational apparatus and are optimistic to use them - to the point where they see change as an opportunity, then every door we must pass through to win big around the world will swing open to us."

4. "Regular change doesn't work very well in the type of transformation General Electric has gone through. If your change isn't big enough, the bureaucracy can beat you. Look at Winston Churchill and Franklin Roosevelt. They said, "This is what it's going to be." And then they did it. Big brave changes".

5. "(GE leaders always) have colossal energy and the ability to energise and stimulate others, to motivate and enjoy change and not be frightened or paralyzed by it, and to see change as an opportunity, not a danger."

6. "Most bureaucracies unfortunately still think in incremental terms rather than in terms of fundamental change. Changing the culture means constantly asking now how fast am I going. How well am I doing versus how well I did a year or two years before? How fast and how well am I doing compared with the world outside? Are we going faster, and are we doing better against that external standard?"

IV. Which quotation:

1) refers to how people react to change?

- 2) refers to the qualities and abilities that a leader of General Electric should have?
- 3) gives examples of a famous British and American political leader?
- 4) suggests that giving people full and clear information is important?
- 5) suggests that companies that do not change will not survive?

V. Write sentences about how companies should or shouldn't react to change, according to Jack Welch. For example, Companies should adapt to change; they shouldn't hang on to weaknesses.

VI. Write down words and phrases which suggest the idea of change. Then compare your list with a partner.

VII. Find words or phrases in the quotations which mean:

- 1) the reasons for an action (quotation 2).
- 2) potential danger (quotation 3).
- 3) courageous (quotation 4).
- 4) to enjoy (quotation 5).

VIII. Read new words and study the examples.

1. **permanent** – постоянный, неизменный: *Is it your permanent address, or are you only staying there for a short time?*
2. **victim** – жертва: *Four people were killed in the explosion, but police have not yet named the victims.*
3. **robbery** – грабеж, кража: *He was the victim of robbery.*
4. **to merge** – поглощать, сливать(ся), соединять(ся): *One colour merged into the other.*
5. **to promote** – продвигать, способствовать: *Milk promotes health.*
6. **to charge** – обвинять: *He was charged with a robbery.*
7. **hostile** – враг, вражеский, неприятельский: *The prime minister was greeted by a hostile crowd.*
8. **quotation** – цитата: *"Quotation" is a sentence or phrase taken from a work of literature or other place of writing and repeated.*
9. **to hang on** – стойко держаться, упорствовать, полагаться: *I know you're tired but try to hang on a bit longer.*

10. **to frighten** – пугать: *The little girl was frightened by the big dog.*
11. **opportunity** – возможность: *You should go and see this film if you get the opportunity.*
12. **threat** – угроза: *Some people see computers as a threat to their jobs.*
13. **to swing (swung, swung)** – качать(ся), колебать(ся), поворачивать(ся): *He swung round and said "Why are you following me?"*
14. **increment** – возрастание, увеличение, прибыль: *"Increment" means an increase in money or value.*
15. **versus** – против: *It's going to be Mexico versus Holland in the final.*
16. **external** – внешний, наружный: *This medicine is for external use, not to drink.*
17. **courageous** – храбрый, отважный, смелый: *It was courageous of you to say what you did.*
18. **weakness** – слабость, недостаток: *I have a weakness for chocolate.*
19. **to win (won, won)** – побеждать, выигрывать: *Who do you think will win the election?*
20. **constant** – постоянный: *He drove at a constant speed.*
21. **to compare** – сравнивать, сопоставлять: *I compared the copy with the original, and there wasn't much difference.*
22. **term** – срок, период, термин, выражение: *She spoke in difficult terms about her work.*
23. **brave** – храбрый: *It was brave of you to stand up and speak in front of all those people.*
24. **to oppose** – сопротивляться, возражать, противопоставлять, мешать: *"To oppose" means to take action to try to prevent it from happening.*
25. **resistance** – сопротивление, противодействие: *There has been a lot of resistance to this new law.*
26. **uncertainty** – неуверенность, неустойчивость: *I believe there is some uncertainty about whether she's coming.*
27. **lack** – недостаток, отсутствие: *What the company lacks is sufficient money to invest in new products.*
28. **to handle** – трогать руками, обращаться, управлять, торговать: *It was a difficult situation and he handled it very well.*
29. **to achieve** – достигать: *He will never achieve anything if he doesn't work harder.*
30. **chap** – 1) парень; 2) челюсть, щека; 3) растрескиваться: *His hands were chapped.*

31. **gain** – увеличивать; увеличение, прирост, заработок, доходы: *I think he's gaining weight.*
32. **stuff** – вещество, материал: *"That's the stuff!"* (= *that's the right thing to do\say*)

IX. Read the dialogue.

(I = Interviewer, JK = Jeremy Keeley)

I: OK Jeremy, let me start by asking you, why do people oppose change?

JK: Resistance to change is the most natural of human reactions and is based on uncertainty and it's based on fear – fear of losing your job, fear of, perhaps, not being able to survive in a new situation. It's based on lack of trust in the decision-makers and it's based on an absolute feeling of lack of control over the situation. All of those are very natural reactions, and the way to manage resistance is not to completely ignore it but actually to manage it as if it were natural.

I: Can you think of an example where change was handled well?

JK: One of my favourite examples. I was working for a client a number of years ago, and a new Chief Executive came and the client had to reduce its cost very much. It had been trying to compete with its major competitor on a basis of amount and was trying to be cheaper. And its major competitor was four or five times its size and there was just no way that could happen. And the new Chief Executive came in and within three weeks had published exactly what he was trying to achieve. And every single person in the organization knew this chap's idea. They knew they were going to go for corporate, high speed, high profile customers, and they were going to ignore the mass volume residential market which was a lot bigger, and with much larger limits. And the company was going to go for much more value-added. And the Chief Executive made absolutely clear, right from the beginning, exactly what he was going to do. He talked about the number of heads he was going to have to take out of the organization. So he talked about the problems – he was absolutely honest about it. But he also talked about the gains and explained his vision in a lot of detail to everybody but in a number of face-to-face communications and in a weekly letter that he wrote to everybody in the organization. Every week a letter came out from this chief executive saying exactly what progress had been made, exactly what he was still aiming to do – what the next steps were. And this happened week after week after week.

He was a very effective manager. And the second thing he did was move very quickly on the painful stuff. So he very quickly took out the people who didn't fit. So sometimes the decisions were hard, but he made them and he made them quickly.

Text 4

I. Read the story.

Art for Heart's Sake

Old Ellsworth was sitting in his study and reading a newspaper, when Koppel, his servant, came in:

"Will you take orange juice, sir?"

"No," answered Mr. Ellsworth.

"But it's good for you, sir."

"No."

When doctor Caswell came Koppel told him: "I can't do anything with the old man. He doesn't take his juice, he doesn't want to listen to the radio, he doesn't like anything."

Doctor Caswell had thought a lot about Mr. Ellsworth since his last visit. It was a difficult case.

The old gentleman was quite well for a man of seventy six, but he had a kind of mania – he bought everything he saw: cars, factories, railroads. He was losing his money quickly and it was necessary to keep him away from business.

The doctor came into Mr. Ellsworth's study.

"Well, how's the young man today?"

"Umph," came from the man in the armchair.

"I'd like to recommend something to you," the doctor said.

"What's it? Is it something to keep me away from business?"

"How would you like to study art?"

"But I'm not good at painting."

"I can get a student from one of art school who'll give you lessons."

The doctor found a young student Frank Swain by name, who agreed to give Mr. Ellsworth lessons on art.

Swain came to Mr. Ellsworth the next afternoon and the lessons began.

Time flew and Swain came more and more often.

It was difficult to say whether Mr. Ellsworth had really got interested in art but one thing was certain: he stopped buying things and his family was delighted.

Frank took him to art galleries and exhibitions. Ellsworth wanted to know everything about art galleries and artists who exhibited their paintings in them. He also wanted to know how the museums arranged exhibitions and who chose paintings for those exhibitions.

When spring came Ellsworth produced an awful piece of painting which he called "Trees dressed in white". Though the picture was awful the old man said that he was going to exhibit it at one of the largest in New York.

Swain was sure that nobody would accept his paintings, but one day when he visited the exhibition at the Gallery he saw Ellsworth's picture there.

Two days before the exhibition closed Ellsworth received a letter from the Gallery. The letter said that Ellsworth had got the first prize for his painting.

When his doctor heard about it he said: "Well, now you see yourself that art is more interesting than business."

"Art is nothing," answered the old man, "I bought the Gallery last month."

(After Rube Goldberg)

II. Say what you have learned about:

- 1) Mr. Ellsworth;
- 2) Mr. Ellsworth's lessons with a student of art;
- 3) the exhibition at the Gallery.

III. Think and answer.

- 1) Why did the family think that Mr. Ellsworth got interested in art?
- 2) What was the real purpose of Mr. Ellsworth's visits to art galleries and exhibitions?
- 3) Could the doctor keep Mr. Ellsworth away from business? Why do you think so?

UNIT 3

BUSINESS ETHICS

Text 1

*“Those are my principles; if you don’t
like them, I have others”*

Groucho Marx (1895-1977) American
comedian and film actor

I. Discuss these questions.

1. What is the purpose of a business, in your opinion? Is it just to make money?
2. What do you understand by these phrases?
 - a) business ethics
 - b) a code of good practice
 - c) a mission statement
3. Should mission statements include statements about ethics?

II. Rank the professions below according to how ethical you think they are.

accountant civil servant lawyer police officer
banker estate agent nurse teacher
car sales executive journalist dentist taxi driver

III. Discuss this list of unethical activities. In your opinion, which are the worst? Are any common in your country?

1. Avoiding paying tax.
2. Claiming extra expenses.
3. Using work facilities for private purposes (for example, personal phone calls).
4. Accepting praise for someone else's ideas or work.
5. Selling a defective product (for example, a second-hand car).
6. Using your influence to get jobs for relatives (nepotism).
7. Ringing in sick when you are not ill.
8. Taking extended lunch breaks.

9. Giving good references to people you want to get rid of.
10. Employing people illegally.

IV. Work in groups. Discuss the ethical questions below. A different person should lead the discussion of each issue.

1. You have a shortlist of people for the post of Sales Manager. One of the female candidates is clearly the best qualified person for the job. However, you know that some of your best customers would prefer a man. If you appoint a woman you will probably lose some sales. What should you do?
2. Your company, a large multinational, has a new advertising campaign which stresses its honesty, fairness and ethical business behaviour. It has factories in several countries where wages are very low. At present it is paying workers the local market rate. Should you increase their wages?
3. A colleague in a company which tests medical equipment has been making bad mistakes recently at work. This is because she has a serious illness. You are her friend and the only person at work who knows this. She has asked you to keep it a secret. What should you do?
4. You are directors of a potato snack manufacturing company. Research has shown that any price increase causes an immediate dip in sales (although sales recover within six months). It has been suggested that you could maximise your profits by simply reducing the weight of the product in the packets and maintaining the current price. What should you do?

V. Do you agree with this statement? Give your reasons.

“If we face a recession we should not lay off employees. The company should sacrifice a profit. It's management's risk and management's responsibility. Employees are not guilty; why should they suffer?”

Akio Morita (1921-1999), co-founder of Sony

VI. Discuss the following questions.

- 1) There is a proverb, 'When in Rome, do as the Romans do.' What does the proverb mean? Do you agree with this advice?
- 2) Would you continue to do business with someone if you disapproved of their private life? Explain why or why not.

- 3) Give examples of behaviour which would cause you to stop doing business with someone.
- 4) Is it important for companies to have a written code of ethics?
- 5) Is it more important for some industries than others to have a code of ethics?

VII. Read new words and study the examples.

1. **mission** – миссия, призвание, поручение: *Mission accomplished!* (= *I have done what I was sent to do*).
2. **to claim** – требовать, утверждать: *This problem claims our exclusive attention.*
3. **expense** – трата, расходы, стоимость: *He tried to be clever at my expense.*
4. **facility** – легкость, уступчивость, благоприятные условия, преимущество: *The facility of this piece of music makes it a pleasure to play.*
5. **statement** – сообщение, утверждение, заявление: *What is this statement about?*
6. **to accept** – принимать: *I'm sorry, but I can't accept that.*
7. **praise** – похвала, восхваление: *The new film received high praise from everyone.*
8. **to influence** – влиять: *What were the factors that influenced you to take the job?*
9. **nepotism** – семейственность, кумовство: *"Nepotism" means the practice of giving one's relatives advantages when one has power, esp. by giving them good jobs.*
10. **to extend** – расширять, оказывать, протягивать: *The hot weather extended into October.*
11. **to appoint** – назначать: *She has been appointed as sales director.*
12. **honesty** – честность: *Honesty is the best policy.*
13. **fairness** – справедливость, честность: *"Fairness" means freedom from injustice, dishonesty, or self-interest.*
14. **wage** – заработная плата: *The workers have asked a wage rise of 10%.*
15. **to dip** (dipped, dipt) – погружать, спускать: *I dipped my pen in the ink.*
16. **recession** – удаление, уход, углубление: *"Recession" means a period of reduced trade and business activity.*
17. **to lay off** – откладывать, увольнять, прекращать работу: *There have been a lot of lay-offs in the shipbuilding industry recently.*
18. **to sacrifice** – приносить жертву, жертвовать: *His parents made a lot of sacrifices to make sure he got a good education.*

19. **guilty** – виновный: *I feel very guilty about forgetting to post your letter.*
20. **to suffer** – страдать: *If the factory closes, the other local businesses would suffer to.*
21. **to approve** – одобрять, проявлять, показывать: *You made a good decision, and approve of it.*
22. **to disapprove** – не одобрять: *I disapprove of smoking.*
23. **to reflect** – отражать: *The mountains were reflected in the lake.*
24. **to survive** – выживать: *“How can you do this huge amount of work?” “Don’t worry, I’ll survive.”*
25. **commitment** – обязательство, заключение, предание суду: *Come and look round our shop without commitment to buy anything.*
26. **to contribute** – содействовать, вкладывать, способствовать: *This advertising campaign has contributed significantly to the success of the new car.*
27. **accountable** – ответственный, объяснимый: *Should the police be more accountable to the public?*
28. **to follow** – следовать: *We expect even greater successes to follow.*
29. **to define** – определять: *Some words are hard to define because they have many different uses.*
30. **dilemma** – затруднительное положение: *She was in a dilemma about her future profession.*
31. **bribe** – взятка, подкуп: *The child was bribed with a piece of cake to go to bed quietly.*
32. **to involve** – вовлекать, включать: *If I were you I wouldn’t get involved in their problems.*
33. **reason** – причина: *He decided not to accept the job, but wouldn’t tell us his reasons.*
34. **to supply** – предлагать, поставлять: *The firm that used to supply us has gone out of business.*
35. **representative** – представитель: *I couldn’t present myself , but I sent my representative to the meeting.*

VIII. Claire Bebbington is External Affairs Manager for a division of BP (British Petroleum). Read the interview. (I = Interviewer, CB = Claire Bebbington)

I: Why should companies be ethical or what are the advantages of a company in behaving ethically?

CB: Mm, I think the whole issue of ethics is a very complex one. Companies are made of people. Multinationals are made up of many different nationalities. I think that companies are part of society and as such they should reflect society's standards. Companies, especially multinational ones, do have responsibilities in the world and should try to be a positive influence and I think if a company is not ethical, then it will not survive as a company.

I: Should a company have a code of ethics?

CB: I think from my point of view it's useful in two ways. Firstly, it makes a commitment to certain good behaviour and it's a way of communicating the importance of good behaviour to all of its employees and partners. Secondly, if a company has a code of ethics and spends time communicating it, it does actually contribute to its ethical behaviour. If you express these things in writing, especially, then you can be held accountable for them. It means that you are much more likely to act on them as well. I think following up that code is difficult. People have different ethical standards, and defining the term "ethics" can I think be a problem. But I think generally to express what your ethics are is a positive thing to do.

I: What kinds of moral dilemmas do large companies face? Can you think of any examples?

CB: I think if you were to look at any company's ethical code you would usually find in it a section about offering bribes and this can be an area where I think people can get themselves into hot water. Facilitation payments are part of doing business in many countries, and bribes are something which most companies are not going to want to get involved in. But when does a facilitation payment become a bribe? And that is a question that can be quite difficult to answer.

I: Can you think of an example where a facilitation payment is clearly a facilitation payment and not a bribe?

CB: I think that there are many examples. When you are paying consultants to make introductions to new business contacts, obviously the reason you choose these consultants is because they are well placed to give that kind of advice in a particular country. And you're paying for that introduction. I would say size is important. Sometimes facilitation payments are out of proportion to the kind of business that you are expecting to win. I think there are many instances. Also, you have to be careful with issues such as nepotism.

IX. Decide whether these statements are true or false, according to Claire.

1) The issue of ethics is simple.

- 2) If a company puts its code of ethics in writing, it is better to act on it.
- 3) Following up a code of ethics is difficult.

Text 2

I. Read the story.

Success Story

I met Richard about 10 years ago when I came to South America to work for Pan-America Company. Richard worked for the same Company. He was a short pleasant man of 22, who easily made friends with people and I liked him.

Soon after I arrived, Pan-America Co signed a contract for the construction of a plant. I made most of the calculations and Richard only helped me because he wasn't very good at this job.

In January a few representatives of the customers together with the President of the company, Mr. Prossert, arrived from the USA. The next day our company manager invited all of them to go and see the construction of the plant. They decided to go there by train. The manager asked Richard and me to pick up Mr. Prossert at the hotel and take him to the station.

On the way to the station Mr. Prossert asked me a lot of questions and I often answered: "I'm afraid I don't know, sir. We haven't made any calculations on that."

Although I knew the job better than Richard I was very much surprised when Richard began to speak: "I did these calculations last night," he said, "just for pleasure." "Oh," said Mr. Prossert, "That's very interesting. Well, now, probably you could tell me about..."

And Richard could. He knew everything. He answered all the questions Mr. Prossert asked him. When we got to the station Mr. Prossert said good-bye to Richard. (However he didn't say goodbye to me.) On our way back to the office I told Richard what I thought of him.

"Your information wasn't true. Why did you give him that kind of information?" I said. "You see, John, if the President of a big company wants to know something, why can't I tell him everything he wants?" "But what is he going to think if he checks the information?" "Do you think he'll remember it? What he is going to remember is you and me. He is going to remember that Pan-America Co has a clever young man, Richard by name, who could tell him everything he wanted to know and the other man who couldn't answer his questions".

Some time later I remembered all that. I read in one of the newspapers that Richard is Vice – President of a big American Company. As to me I’m still doing my ordinary everyday job for Pan – America Co.

(After James Gould Cozzens)

II. Think and answer.

- 1) Why was the job easy for John and difficult for Richard?
- 2) Why was John surprised to hear Richard’s answers to Mr. Prossert’s questions?
- 3) Why didn’t Mr. Prossert say good-bye to John?
- 4) Why did the writer call the story “Success Story”?

III. Tell a story about any of these ideas.

- 1) A significant news event you remember well.
- 2) An ethical problem you know about.
- 3) A memorable event in your life (good or bad).
- 4) An unusual or memorable experience while you were traveling.

Text 3

I. Read the story.

A Noble Gangster

There was a time when the owners of shops and businesses in Chicago had to pay large sums of money to gangsters to return for “protection”. If the money was not paid promptly, the gangsters would quickly put a man out of business by destroying his shop. Obtaining “protection money” is not a modern crime. As long ago as the fourteenth century, an Englishman, Sir John Hawkwood, made the remarkable discovery that people would rather pay large sums of money than have their life-work destroyed by gangsters.

Six hundred years ago, Sir John Hawkwood arrived in Italy with a band of soldiers and settled near Florence. He soon made a name for himself and came to be known to the Italians as Giovanni Acuto. Whenever the Italian city-states were at war with each other, Hawkwood used to hire his soldiers to princes who were willing to

pay the high price he demanded. In times of peace, when business was bad, Hawkwood and his men would march into a city-state and, after burning down a few farms, would offer to go away if protection money was paid to them. Hawkwood made large sums of money in this way. In spite of this, the Italians regarded him as a sort of hero. When he died at the age of eighty, the Florentines gave him a state funeral and had a picture painted which was dedicated to the memory of “the most valiant soldier and most notable leader, Singor Giovanni Haukodue”.

Notes:

1. a noble gangster – благородный гангстер.
2. protection – защита.
3. promptly – быстро.
4. to destroy – разрушать.
5. to obtain – получать.
6. remarkable – примечательный.
7. would march – бывало, маршировали.
8. to regard – рассматривать, считать.
9. funeral – похороны.
10. to dedicate – посвящать.
11. valiant – доблестный.
12. notable – замечательный.

II. Give your opinion about the information you have read. Retell the story.

III. Translate from Russian into English using a dictionary

О крепости духа и тела

Когда речь идет об успехе в бизнесе, в первую очередь учитываются профессиональные (квалификация, эрудиция) и человеческие (обаяние, уверенность) качества. Однако немало зависит и от физиологии и психологии предпринимателя. Современный рынок предъявляет очень высокие требования в плане работоспособности, выносливости.

Популярный немецкий журнал «Bunte» предлагает следующие советы начинающим бизнесменам, которыми, кстати, пользовались и такие известные люди, как политик Вилли Брандт, мыслитель Махатма Ганди, певица Мадонна:

1. Развивай силу воли. Постоянно повторяй про себя: я хочу, я могу, я все сделаю.
2. Постарайся понять свои лучшие качества и культивируй их. Честно назови себе свои слабости. Тот, кто обманывает себя, никогда не добьется успеха.
3. Укрощай стресс. Пойми его причину, отбрось сомнения и не бойся вступать в спор.
4. Двигайся: гуляй, плавай, не позволяй «застаиваться» телу и духу. Если ты хочешь чего-то достичь – оставайся всегда в форме.
5. Развивай положительное мышление. Пессимизм не улучшает качество жизни.
6. Будь решителен. Учтя все «за» и «против», принимай такое решение, чтобы потом от него не отступать.
7. Будь прозорливым. Просчитай заранее степень риска – и тогда тебя ничто не собьет с пути.
8. Фантазируй. Разум не всемогущ. Доверяй собственным ощущениям.
9. Помни: больше всего мешают работе гордость и трусость. Внимай советам и критике – это путь к успеху.
10. Не бойся поднимать планку своих возможностей. Только так ты растешь!

UNIT 4

BANKING

Text 1

I. Think and answer the following questions:

1. Have you ever been to the bank? What did you go there for?
2. What different kinds of services do banks offer to the public?
3. How would you comment the saying “A banker is a man who lends you umbrella when the weather is fair, and takes it away from you when it rains”? Do you agree with it?

II. After reading the text choose the heading for each paragraph.

- Investment Banking
- Interest Rates
- Commercial Banking
- Universal Banking
- Central Banking
- Eurocurrency

1. A central bank fulfils a number of key roles in the economy, acting as a bankers' bank and as a lender of last resort, being responsible for monetary creation, and having overall responsibility for monetary policy. The central bank can use control of interest rates, open market operations and required reserves to influence the monetary base and overall interest rates in the economy. In recent years, the interest rate has been prime instrument. By influencing the amount of real money in the economy, the central bank is able to influence aggregate demand, which in turn will influence prices. Thus the central bank has to balance the need to restrain inflation with the desire to allow economic growth.

2. Commercial or retail banks are businesses that trade in money. They receive and hold deposits, pay money according to customers' instructions, lend money, offer investment advice, exchange foreign currencies, and so on. They make a profit from the difference (known as a spread or a margin) between the interest rates they pay to

lenders or depositors and those they charge to borrowers. Banks also create credit, because the money they lend, from their deposits is generally spent (either on goods or services, or to settle debts), and in this way transferred to another bank account - often by way of a bank transfer or a cheque (check) rather than the use of notes or coins - from where it can be lent to another borrower, and so on. When lending money, bankers have to find a balance between yield and risk, and between liquidity and different maturities.

3. Investment banks, often called merchant banks in Britain, raise funds for industry on the various financial markets, finance international trade, issue and underwrite securities, deal with takeovers and mergers, and issue government bonds. They also generally offer stock broking and portfolio management services to reach corporate and individual clients. Investment banks in the USA are similar, but they can only act as intermediaries offering advisory services, and do not offer loans themselves. Investment banks make their profits from the fees and commissions they charge for their services.

4. In the USA, the Glass-Steagall Act of 1934 enforced a strict separation between commercial banks and investment banks or stock broking firms. Yet the distinction between commercial and investment banking has become less clear in recent years. Deregulation in the USA and Britain is leading to the creation of 'financial supermarkets': conglomerates combining the services previously offered by banks, stockbrokers, insurance companies, and so on. In some European countries (notably Germany, Austria and Switzerland) there have always been universal banks combining deposit and loan banking with share and bond dealing and investment services.

5. A country's minimum interest rate is usually fixed by the central bank. This is the discount rate, at which the central bank makes secured loans to commercial banks. Banks lend to a blue chip borrowers (very safe large companies) at the base rate or the prime rate; all other borrowers pay more, depending on their credit standing (or credit rating, or creditworthiness): the lender's estimation of their present and future solvency. Borrowers can usually get a lower interest rate if the loan is secured or guaranteed by some kind of asset, known as collateral.

6. In most financial centers, there are also branches of lots of foreign banks, largely doing Eurocurrency business. A Eurocurrency is any currency held outside its country of origin. The first significant Eurocurrency market was for US dollars in Europe, but the name is now used for foreign currencies held anywhere in the world (e.g. yen in the US, euros in Japan). Since the US\$ is the world's most important trading currency – and because the US for many years had a huge trade deficit – there

is a market of many billions of Eurodollars, including the oil-exporting countries' 'petrodollars.' Although a central bank can determine the minimum lending rate for its national currency it has no control over foreign currencies. Furthermore, banks are not obliged to deposit any of their Eurocurrency assets at 0% interest with the central bank, which means that they can usually offer better rates to borrowers and depositors than in the home country.

III. The text contains a number of common verb-noun partnerships (e.g. to lend money, to finance international trade). Match up the verbs and nouns below to make common collocations. Give their Russian equivalents.

A	B
1) influence	a) advice
2) restrain	b) bonds
3) exchange	c) business
4) issue	d) currencies
5) make	e) deposits
6) offer	f) funds
7) pay	g) interest
8) raise	h) loans
9) receive	i) profits
10) underwrite	j) security issues
11) charge	k) monetary base
12) do	l) inflation

IV. Match the definitions in A with the words from the text in B.

A	B
1) buying and selling government bonds on the open market	a) collateral
2) the currency supplied by the Central bank both to the commercial banks and to private circulation	b) to restrain
3) to place money in a bank; or money placed in a bank	c) deposit
4) the money used in countries other than one's own	d) foreign currencies
5) how much money a loan pays, expressed as a percentage	e) blue chip
6) available cash, and how easily other assets can be turned into cash	f) conglomerate
7) the date when a loan becomes repayable	g) liquidity
	h) open market operations

- | | |
|---|------------------|
| 8) to guarantee to buy all the new shares that a company issues, if they cannot be sold to the public | i) maturity |
| 9) when a company combines with another one | j) portfolio |
| 10) buying and selling stocks or shares for clients management | k) monetary base |
| 11) taking care of all a client's investments | l) to underwrite |
| 12) the ending or relaxing of legal restrictions | m) merge |
| 13) a group of companies, operating in different fields, that have joined together | n) takeover |
| 14) a company considered to be without risk | o) stock broking |
| 15) ability to pay liabilities when they become due | p) deregulation |
| 16) anything that acts as a security or a guarantee for a loan | origin |
| 17) any currency held outside its country of | q) solvency |
| 18) when a company buys or acquires another one | r) yield |
| 19) to hold sth back | s) Eurocurrency |

V. Read and learn new words.

account *n* – счёт

current(Br)/checking(Am) ~ – текущий/расчётный счёт

deposit(Br)/time(Am) ~ – депозитный/срочный вклад

overdrawn ~ счет с отрицательным балансом

bankruptcy *n* – банкротство

blue chip *n* – голубая фишка (акции крупных, пользующихся уважением компаний)

bond *n* – облигация, ценная бумага

borrowing *n* – заем, кредит

broke *adj* – бедный, без гроша

to go ~ – разориться

cancel *v, n* – аннулировать, отменять

cater *v* – ориентироваться, обслуживать

charge *v, n* – назначать цену, относить на счет; плата

cheque (GB)/**check**(US) *n* – счет

to clear a ~/syn. to stop a ~ – оплатить счет

circulation *n* – обращение, кругооборот

collateral *n* – обеспечение кредита, залог

credit *n* – кредит, доверие

to be in~ *syn.* to be in the black – быть кредитоспособным, иметь деньги на счету
 extension of ~ – предоставление кредита
currency *n* – валюта, деньги
custody *n* – опека, попечение
 in safe ~ – на сохранении
deposit *v* – депонировать, положить на хранение
deposit *n* – вклад, депозит, взнос
 demand(BrE)/checking(AmE)~ – вклад до востребования
 savings(Br)/time(Am) ~ – срочный, накопительный вклад
depositor *n* – вкладчик
deregulation *n* – децентрализация
insurance *n* – страхование
intermediary *n* – посредник
lend *v* – давать взajem, предоставлять кредит
loan *n* – кредит, заем
maturity *n* – срок платежа, погашения
merger *n* – слияние
mortgage *n* – ссуда на покупку жилья, ипотека
overdraft *n* – овердрафт; сумма, выдаваемая банком клиенту сверх остатка на его текущем счёте
offset *v* – возмещать, компенсировать
paid-in-capital – оплаченная часть акционерного капитала
pledge *v* – отдавать залог, закладывать
portfolio *n* – перечень ценных бумаг
price *n* – цена
 futures ~ – фьючерская цена (цена на покупку или продажу товара с доставкой в будущем)
 spot ~ цена на наличный товар, «спотовая цена»
rate *n* – ставка, уровень
 base/discount ~ – учетная процентная ставка центробанка
 interest ~ – процентная ставка
required reserve (ratio) – предписываемые законом резервы
reserve requirements – резервные требования
quote *v* – назначать цену, котировать
savings *n* – сбережения, накопления
share *n* – акция
shift *v* – перемещать, переводить

spread *n* (syn. margin) – спрэд (разница между предполагаемыми ценами покупки и продажи)

short notice – краткосрочное уведомление

standing order – постоянное поручение

statement *n* – отчёт, баланс

takeover *n* – поглощение

trustee *n* – попечитель, опекун

value *n* – ценность, стоимость

face/nominal ~ – номинальная стоимость

valuables *n pl* – ценности, драгоценности

underwrite *v* – гарантировать размещение, подписывать

withdraw *v* – отзываться обратно, снимать со счета

yield *n* – доход по ценным бумагам с фиксированным процентом

VI. Write down the English equivalents for the following.

Последний кредитор в критической ситуации; резервная норма; сдерживать инфляцию; обеспечивать экономический рост; разница между себестоимостью и продажной ценой; срок погашения платежа; погасить долги; доход по ценным бумагам с фиксированным процентом; поглощение; слияние; учетная процентная ставка; имущество; обеспечение кредита, залог; гарантировать, ручаться; кредитоспособность, платежеспособность (3 варианта); евровалюта; торговый дефицит.

VII. Discuss with your partner the following questions:

1. How do you understand the role of the central bank 'to act as a bankers' bank'?
2. For what purposes may the central bank regulate interest rates?
3. How do the commercial banks earn money?
4. What sort of balance do bankers have to find when lending money?
5. What are the main functions of merchant banks in England?
6. How do investment banks in America differ from merchant banks in England?
7. What is the difference between an interest rate and a discount rate?
8. How are interest rates determined?

9. Why are there so many dollars deposited outside the USA?
10. Why did American legislation separate commercial and investment banking?

Text 2

I. Scan the text for the information about the functions of commercial banks, accounts and services they offer their customers.

Commercial Banks of Britain

A bank is an intermediary between a depositor will and a borrower. The interest rate which the commercial banks charge borrowers and pay to depositors will be influenced by the interest rate which is quoted from time to time by the Bank of England, which is, of course, controlled by the British government. If the Bank of England recommends that the interest rates will have to rise, then the commercial banks and most other financial institutions will also raise their interests rates.

A rise in the interest rate will make borrowing more expensive and saving more attractive. A fall in the interest rate will make borrowing cheaper, saving less attractive.

The government may use the interest rate (sometimes called the bank rate) to regulate the economic climate of the country. By this we mean that borrowing becomes more expensive, businessmen will become more reluctant to borrow and develop their business, but if it falls, then they probably become more active.

If the economy becomes too active, there is usually a tendency for inflation to occur, and this is usually caused by too many goods produced and too much money circulating in the economy.

To combat inflation the government will often raise the interest rate. If the economy was stagnant then the interest rate would probably be lowered so that to encourage it to expand and become more active. There are, of course, factors which the government must consider before it influences the institutions to raise or lower their interest rates.

Commercial banks make a profit by:

1. Making loans to businessmen and private individuals.
2. Charging interest payments on overdrawn accounts.
3. Lending to the money market.
4. Investing in sound shares and securities.

The bank's most important activity is the extension of credit. In order to provide a loan, a bank must have funds to lend. This comes from paid-in capital, earnings of previous years, borrowed funds and the bank's customers' deposits. The banker must always remember that the money he lends is not his bank's own money. It is the money deposited by the bank's customers. To evaluate the risk, a banker must first obtain certain basic information about the potential borrower. The banker must learn how much money the borrower needs, the purpose and the term of the loan, and how the borrower will repay the loan. The borrower's ability to repay depends on the purpose of the loan.

Banks will lend money in two ways:

- by a personal loan;
- by an overdraft loan arrangement.

The personal loan is charged at a fixed rate of interest repayable over a fixed period of time.

The overdraft is used mostly by businessmen. The advantage with overdrafts is that interest is repayable only on the amount owed at a particular time. Interest is calculated on a daily basis. The borrower will have to pay a lot of interest when the debt is large, but if he is able to make a good deposit and reduce the size of the overdraft then the interest charged will be lowered accordingly. Overdrafts may be recalled by the bank at a very short notice.

The commercial bank offers its customers accounts of two types: deposit account and the current account. The deposit account will probably be used to pay a fixed rate of interest, and will sometimes issue the saver with a saving book. The current account pays no interest. A cheque book is used to make payments from an account and a paying-in book is used when money is paid into the account.

Banks will normally give statements to both deposit and current holders about once every three months, or more frequently if required by the account holder. Statements give a detailed account, on a day to day basis, of all money and cheques which have either been paid into account or withdrawn from the account. Money is the commodity that banks sell. A bank seeks to buy money cheaply and to sell it dearly. This is what the banks are busy doing. Naturally, the banks put their money where it brings the highest profit. That is why they always keep up to date with the market situation by shifting money from one geographical region to another, the banks activity stimulates progress in industry, construction and agriculture. Banks are interested in keeping most of their money in circulation so that it should bring them profit. They seek to reduce their lending rates in order to attract buyers.

In their pursuit of high profit, the banks sometimes get involved in risky operations fraught with bankruptcy. That is why the government takes measures to minimize the danger of banks going broke. Every bank is obliged to take out insurance against robbery or bankruptcy lest the clients should lose their money in any case.

Technological innovations and increased competition in the face of deregulation are changing the face of British banking. Banks and other financial institutions are using computer technology now, that is why they can offer their clients different types of services:

1. Accept deposits from depositors.
2. Make loans to borrowers.
3. Conduct deposit and current accounts for customers.
4. Keep valuables in safe custody.
5. Give advice on income tax matters.
6. Give advice on overseas trading.
7. Buy and sell shares for customers.
8. Issue foreign currency and travellers' cheques.
9. Act as executors and trustees for deceased persons.
10. Change old bank-notes for new ones.

The commercial banks cater to big companies, small companies and to individuals.

II. Expand the sentences.

1. The interest rate which the commercial banks charge ...
2. A rise in the interest rate will...
3. The banker must always remember that the money he lends ...
4. The government may use the interest rate to ...
2. The advantage with overdrafts is that ...
3. Banks will normally give statements to ...
4. To combat inflation ...
5. If the economy becomes too active ...
6. By shifting money of various costs the bank activity ...
7. Banks make a profit by...
8. The banks cater to ...

III. Are the following sentences true or false? Say why.

- a. If the banks lends money to a company, the banks is one of the company's debtors.
- b. If you borrow money from the bank at a variable rate of interest, you might have to pay back more than you think you will.
- c. Creditors prefer low interest rates.
- d. Debtors prefer high interest rates.

IV. Read and translate the following definitions:

- **Discount rate** – The interest rate a central bank charges on loans of reserves to banks.
- **Exchange rate** – The number of units of one nation's currency that equals one unit of another nation's currency.
- **Federal Reserve System** –the twelve central banks in the USA that service banks and other financial institutions within each of the Federal Reserve districts, popularly called the Fed.
- **Nominal interest rate** – the annual percentage amount of money that is earned on a sum loaned or deposited in a bank.
- **Open market operations** – the buying and selling of government securities by a central bank.
- **Required reserve ratio** – the percentage of deposits that a central bank requires a bank to hold in vault cash or on deposit with it.
- **Required reserves** – the minimum balance that a central bank requires a bank to hold in vault cash or on deposit with it.

V. Answer the questions.

1. What is a commercial bank according to the text?
2. What does the interest rate the commercial banks offer depend on?
3. What are the ways of making a profit by banks?
4. What do the funds that banks use to provide a loan come from?
5. What factors should a banker consider to evaluate the risk when providing a loan?
6. What are the two ways that banks lend money?
7. What is the advantage with overdrafts?

8. What types of accounts do commercial banks offer to their customers? How do they differ?
9. What measures does the government take to minimize the danger of banks going broke?
10. What types of services can customers get in a bank?

Text 3

I. While reading the text focus on the information describing the procedures of the Fed and other financial institutions of the USA, put down a plan choosing key words to each point of the plan.

Banking in the USA

At the centre of the U.S. banking system is **the Federal Reserve System** (FRS or “the Fed”, as it is usually called) which was established in 1913. It consists of 12 regional banks and has its task in controlling the national banking system.

The Federal Reserve serves as a “banker’s bank” and the typical bank customer never enters the door of a Federal Reserve district bank or one of its branch banks.

The organization's main task is to set and implement monetary policy, which is a set of rules for handling the economy and the money supply. Following are brief descriptions of some of the principal functions of the Federal Reserve.

The Fed **(1) regulates the money supply** by four basic tools. It can *set the discount rate and change the reserve requirements*, that is the sum of money (called reserves) equal to a certain percentage of deposits that a bank must keep on hand.

Another tool the Fed uses is its power to *buy and sell government bonds on the open market*. These are known as open-market operations.

The last tool employed by the Fed involves *selective credit controls*, or the *setting of credit terms on various kinds of loans*.

Another function performed by the Fed includes **(2) clearing checks**. Banks can use the Federal Reserve's check-clearing service to clear checks drawn on banks outside their Federal Reserve districts.

One more important task of the Fed is **(3) maintaining and circulating currency**. Note that the FRS does *not* print currency – it *maintains* and *circulates* money. The Federal Reserve must be ready to ship extra money from its large vaults by armoured trucks.

The Fed also **(4) *supervises the activities of member banks abroad and regulates certain aspects of international finance.***

Apart from that, the Fed **(5) *protects consumers*** by receiving and trying to resolve consumer complaints against banks. There are certain regulations, for example, that prohibit discrimination based on race, colour, sex, religion, or national origin in the extension of credit.

In addition, the **(6) Fed *maintains the federal government checking accounts and gold.*** The U.S. Treasury has the Fed handle its checking account. From this account, the federal government pays for such expenses as federal employees' salaries, social security, tax funds, veterans' benefits, defence, and highways. Gold, stored in the Fed belongs mainly to foreign governments and is one of the largest accumulations of this precious metal in the world.

Commercial banks accept deposits and use these funds to make loans. There are two types of commercial banks: *national banks* and *state banks*. National banks are chartered by the federal government, and state banks are chartered by state government. These banks are prime sources of capital for business and also provide loans as well as checking and saving accounts for consumers. Both savings banks and savings and loan associations perform many of the same functions as commercial banks (e.g., checking and savings accounts, loans) but use the majority of their assets for financing home mortgages.

Credit unions are member-owned corporations that offer checking and savings accounts, credit cards, and consumer loans. Most of the 16.326 credit unions in this country serve employee groups.

Other financial institutions include finance companies (which provide short-term loans), large brokerage houses, insurance companies, pension funds, and investment banks (which help corporations raise capital). Most financial institutions operate on the principle of attracting deposits and then lending some of this money to other customers.

II. Find in the text answers to the following questions:

1. What is the head of the U.S. banking system and when was it established?
2. What is the Fed's most powerful body and how many members does it consist of?
3. What is the main task of the FRS?

4. What four basic tools does the Fed use to regulate the money supply and expand economy? Which of them is the most powerful for controlling the money supply?
5. What are other functions performed by the Fed?
6. What different forms of financial institutions are there in the U.S.? How are they characterized?

III. Translate into Russian.

The Paris Club

The Paris Club is an informal forum where countries experiencing difficulties in paying their debts to governments and private institutions meet with their creditors to restructure these debts. The name might be quite misleading because in reality the Paris Club is not a club, nor is it a formal international organization. It has no offices, no secretariat, and above all, no charter. The Paris Club is an ad hoc institution with no legal status.

In part, the Paris Club's confidentiality policy has prevented it from becoming known to a wider public. Creditors refrain from releasing any information pertaining to their assessment of a given debtor's economic and financial situation or to the scope of debt relief granted. The onset of the international debt crisis in the early 1980s, however, brought public attention to the Paris Club and to its contribution to resolving the balance-of-payment disequilibria experienced by a growing number of developing countries and by some Central and Eastern European countries.

IV. Translate into English.

Коммерческие банки могут быть универсальными или специализированными. Инвестиционные банки специализируются на кредитовании фирм; торговые банки финансируют операции на рынке капитала и внешнеторговую деятельность; сберегательные банки собирают и пускают в оборот сбережения многочисленных, главным образом, мелких вкладчиков.

Частные лица и компании открывают банковские счета, по которым проводят различные операции, например, при необходимости снимают наличные деньги либо переводят средства на счета других людей посредством выписывания чеков, прямого дебетования или электронного трансфера. При утрате доверия клиентов к банку все его вкладчики одновременно пытаются

изъять из него свои деньги, что приводит к «набегу» на банк. Во избежание подобных ситуаций в большинстве стран существуют государственные органы, которые наблюдают за деятельностью банков.

В прошлом Банк Англии устанавливал банковскую ставку – специальную учетную ставку для первоклассных заемщиков. В настоящее время эта ставка отменена.

IV. If you expect the other person to do what you ask (A), or to know the information (I) that you want, use:

The polite formula:

Could you (A)

I'd like you to (A)

I wonder if you could (A)

Could you tell me (I)

I'd like to know (I)

I wonder if you could tell me (I)

If you are not sure whether the other person will do what you ask (A), or knows the information you want (I), use:

Do you think you could (A)

Do you know (I)

I wonder if you could (A)

Do you happen to know (I)

Would you mind (A)

V. Act as a customer who visits a bank and asks a series of questions about the bank services. Use different forms of polite requesting information.

Model. The account has been credited with the dividend.

Can you tell me whether my account has been credited with the dividend?

- 1) the kinds of current account available;
- 2) the normal bank charges on overdrawn account;
- 3) the frequency of sending statements (How often...);
- 4) interest rate on deposit account;

- 5) current level of interest they charge on loans;
- 6) getting an appointment to discuss the cash flow problem with a loan officer;
- 7) checking whether the cheque paid in last Monday has been cleared.

VI. Read the short conversations in a bank. Pay attention to the formula of expressing request. Practice the conversations with your partner.

1. A. I want to change some English money into euro (Ukrainian hrivnas/dollars; ..). Can you help me?
B. Certainly, sir. The exchange rate today is ...euros to the pound (Ukrainian hrivnas to the dollar; ..). How much do you want to exchange?
2. A. I'd like to transfer some money to my account in London, please.
B. You have an account here, madam? How urgent is it? Would you like us to send it by mail transfer?
3. A. I'd like to know how long it takes for a cheque to clear. I paid the cheque into the account on Friday.
B. Unless it's a local cheque it will take a full five working days to clear.
That means we should be able to treat it as paid by this time next week.

VII. Discuss the following issues.

1. Whom is an overdraft mostly used by and what are the advantages with it? Can students in your country make use of it?
2. What are the commodities that a bank trades in your country?
3. What changes have there been in personal banking recently? What further changes do you foresee in future?
4. If you possess a large sum of money, what are the pros and cons for the following:
 - putting it into a stock;
 - buying a bundle of lottery tickets;
 - taking it to (local) Las Vegas;
 - buying gold;
 - investing in real estate;
 - buying shares;
 - putting it in a bank?
5. What are the basic financial institutions in your country?
6. How can you get a loan from a bank in your country?

UNIT 5

MARKETING

Text 1

I. Read, translate and explain the following words and word combinations.

Specific target marketing, competitor, vital, forecast sales, potential purchaser, sub-markets, purchasing power, refinement.

II. Make adverbs from the adjectives you will find in the text according to the model and translate them.

Model: *adjective+ly=adverb, (broad-broadly)*

Efficient, successful, identical, potential, different, specific, surprising, commercial, common, attractive, strong, logical, physical, common.

Choosing a Market

The need to identify and attempt to satisfy the needs of specific target markets is central to the concept of marketing. To do it efficiently is important; to do it more efficiently than your competitors can be vital. Relating the product or service to the needs of the marketplace means that your approach is «*market-orientated*». In order to do this successfully you must undertake market research and try to forecast your sales. Alternatively, your approach could be «*product-orientated*»: in other words, you look at the market as being made up of identical, but potential purchasers of your product.

The single most important factor to have had an effect on marketing, certainly in recent times, is the realisation that markets are made up of very different sub-groups or sub-markets. As identifying these sub-markets has become more refined, the elements of strategy and marketing have been honed specifically to them. Most products are designed for a particular market and not the general public as a whole. Not surprisingly, businesses are interested in the most commercially attractive parts of a market. This is known as *target marketing*. It relies strongly on good research and is, in itself, the logical conclusion of research work.

What is Market

This is very difficult to define. Broadly speaking, there are three ways of describing a market. Firstly, it can be the physical (geographical) place where goods or services are sold; for example, Malaya is a market. Secondly, a market is also the actual demand for a specific product or service. Thirdly, it can be the set of conditions which determines the price of a product or service. For example, you could say that the market for personal stereos is Jx million per year.

The most commonly accepted definition of a market identifies a group of people with needs, what their purchasing power is and what their buying behaviour is. A further refinement is that this market is not just existing customers but should include those who are potential customers.

III. Answer the following questions.

1. How is a market chosen by a business?
2. What may the business be looking for in the market?
3. How does a business define the parameters of market?
4. How can a business match its product or service to the demand of the market?

IV. Match the terms with their definitions.

- | | |
|-------------------|---|
| 1. Target | a. an idea, especially an abstract idea. |
| 2. Customer | b. trade or profession. |
| 3. Concept | c. a fixed goal or objective. |
| 4. Identification | d. a person who buys. |
| 5. Business | e. a shop that sells a particular merchandise. |
| | f. something that identifies a person or a thing. |

V. Explain in your own words such terms as «market-oriented», «product-oriented», «markets and submarkets».

VI. Topics for discussion.

1. What must you do to ensure that you are market-oriented?
2. How do you understand the «market»? Define it in your own words. What are the «Pros and Cons» to sell your product on the market?

Text 2

I. Read the given collocations and match them with Russian equivalents.

- a) To fill a gap, to ascertain the position, multi-dimensional scaling, marketing mix, appropriate strategy, vital market, competitive goods, to be thrown into doubt.
- b) Соответствующая стратегия, оживленный рынок, заполнить пробел, дополнительные услуги, конгломерат рынков, подвергать сомнению, утвердить положение, многомерное масштабирование, конкурентно-способные товары, рыночная стоимость.

II. Pay special attention to the following prepositions (postpositions) after the given verbs and translate them.

To lead to, to lead off, to lead with, to work on, to work out, to work at, to result in, to result from, to agree with, to agree to, to agree on, to turn to, to turn on, to turn over.

Product Positioning

Product positioning is designing the organisation's product and marketing mix so that they are seen by the consumer to fit into a particular place. With market research the company can ascertain the position of the competitor's products and then decide whether to compete by offering a very similar product, or to attempt to fill a gap in the market. *Multi-dimensional scaling* or MDS is an increasingly popular way of positioning a product in the mind's eye. If you can imagine a sliding scale working both horizontally and vertically, with the extremes noted at the end of each line, you can then place a product or service at any point along that scale.

Once a company has established its product positioning, it is ready to finalise the details of its marketing mix.

Companies find it difficult to cater *for* the mass market. They have turned increasingly to target marketing, which has enabled them to focus their efforts. By

being able to identify specific target areas they can develop an appropriate marketing strategy, advertising, pricing and distribution. The initial research stage is vital. Haphazard* or confused results here mean that the entire target marketing exercise is thrown into doubt.

Successful target marketing does have benefit for both parties. For the company it means that it can become more competitive and achieve greater sales and better profitability; while for the consumers it should mean greater satisfaction, since the product or service accords more closely with their specific needs.

* **Haphazard** – случайный

III. Decide if the statements are True or False?

1. With market research the company can ascertain the position of the competitors products.
2. From the very beginning every company is ready to finalise in detail marketing mix.
3. There is no difficulty to cater for the mass market.
4. Successful target marketing does have benefit for both parties.

IV. Match the synonyms.

- | | |
|---------------|----------------|
| 1. products | a) team |
| 2. company | b) dead |
| 3. vital | c) fulfill |
| 4. competitor | d) finish |
| 5. consumer | e) rival |
| 6. finalise | f) goods |
| | g) to exercise |
| | h) satisfy |
| | i) identify |
| | j) client |

V. Use the suitable articles.

1. For all Britons this was...time of change.

2. Machinery revolutionised ...textile industry, transport, communications and even agriculture.
3. Particularly important for marketing were...changes in communications-...coming paved roads, railways and...penny post.
4. Purchasing power can be affected by... whole series of factors.
5. Countries all suffer to...greater or lesser extent from inflation.
6. ...money which people have left after paying tax and national insurance is known as disposable income.

VI. Topics for discussion.

1. What do you understand by product production?
2. Select the product you like and show how that positioning can be used in the marketing of that product.

Text 3

I. Read aloud the following collocations to be sure that you pronounce them correctly and translate them.

Argument, trial, error, managerial skills, essential feature, timescale, short-term, medium-term agreement, ally, annual.

II. Pay special attention to verbs with prepositions in postposition, which you will meet in the text. Translate them into Russian.

Built up, make up, cope with, relevant to, depend on, draw up, begin with, flow from, rely on, come up, keep up.

Managers and Planning

Managers, in particular Marketing Managers, are responsible for planning, organising, directing and controlling within their area of influence. All these controlling tasks are fundamental in assisting the manager to make decisions. The formulation of marketing plans, and any strategy allied to them, is strongly linked to managers' ability to control the resources at their disposal. Like most tasks in business, success depends on things getting done by individuals within the

organisation. The management of human assets needs careful handling, as motivation, training and selection are the key features of leadership.

We all have ideas of what a manager does; indeed, there are many theories of management. Most managers learn how to manage the hard way through a process of trial and error. This is not a satisfactory method, as organisations need a manager to be effective immediately. Out of this need has arisen some concepts of a scientific approach to managerial skills. This professional approach, in theory at least, requires managers to use their experience as a foundation and, from this, to build up an understanding of the basic principles of management. Then they must transfer these fundamental skills to help them, and to help others, in making decisions. Of the basic principles, some are appropriate to all management decisions, and others created to cope with specific problems. The basic principles of management, as we have noted already, are planning, organisation, direction and control. These are all relevant to formulating a marketing plan and, indeed, to marketing management as a whole.

Planning is an essential feature of a manager's responsibilities. Marketing planning requires the manager to set a series of objectives from which to formulate a marketing strategy. Some notion of a timescale has also to be set which considers the implementation and achievements of these objectives. Just how these objectives are decided depends very much on the nature of the business. However, there are a number of basic steps:

1. Analysis of performance, both current and past, of all products.
2. A review of marketing opportunities and possible threats.
3. Relating these plans to the overall corporate objectives.

Once the marketing objectives have been decided, the manager must now determine which route to take to achieve these objectives. Many of the key phrases and tactics are taken straight from military terminology, such as flanking*, or encirclement**. Broadly speaking, a marketing strategy is the way in which the company or other organisation proposes to achieve its marketing objectives, and should always include consideration of the following:

- The selection of marketing targets;
- Market positioning;
- An appropriate marketing mix.

The choice of the marketing strategy should always take into consideration the company's strengths and weaknesses, together with a good knowledge of the market's needs. These strategies represent the company's overall route to achieving the marketing objectives. Marketing tactics are the fine tuning which adapts the strategy to ensure that the route is as smooth as possible.

The real difference between strategy and tactics is unclear. Tactics can be seen as a part of strategy, but strategies are nothing without a good tactical sense. If a Sales Manager's strategy is to increase the customer base, then an appropriate tactic is needed to achieve this. At the same time, if the company's strategy is to increase business, then the Sales Manager's strategy becomes the company's tactic. In many cases a good strategy has failed because of a company's lack of attention to tactics, or use of an inappropriate tactics. Equally, a poor strategy can be saved by clever tactics. Here are some broad distinctions between strategy and tactics:

1. Tactics tend to be more detailed than strategies.
2. Tactics relate to a shorter time period than strategies.
3. Tactics tend to be more flexible than strategies.
4. The range of tactics is usually wider than the range of strategies.

Timescales for achieving marketing objectives may vary greatly. As we have noted earlier, these marketing objectives are expressed as being shortterm, medium-term or long-term, and may range from one month to ten years or more. Setting the marketing objectives and then placing a timescale on them depends on the resources which the company decides to commit to achieving each objective.

* **Flanking** – фланкирующий

** **Encirclement** – окружение

III. Choose a correct answer according the information in the text.

1. What are marketing managers responsible for?
 - a) Planning and controlling within their area of influence.
 - b) Planning and controlling everyone in the office.
 - c) Planning, organizing, directing and controlling within their area of influence.
2. What are key features of leadership in marketing management?
 - a) Motivation, training and selection.
 - b) Sociability, motivation, high salary.
 - c) Promotion, ability to work in a team.
3. What are the basic principles of management?
 - a) Leadership, control, planning and organization.
 - b) Direction, planning, experience and control.
 - c) Planning, organization, direction and control.
4. How do most managers usually learn to manage?

- a) Study in special schools and colleges.
- b) Through a process of trials and errors.
- c) Having a long-term trainee courses.

IV. Match the synonyms.

- | | |
|-------------------|-------------------|
| 1. objective | a) demand |
| 2. appropriate | b) prediction |
| 3. essential | c) relevant |
| 4. require | d) basic |
| 5. implementation | e) way |
| 6. adapt | f) incentive |
| 7. route | g) prediction |
| 8. distinction | h) characteristic |
| 9. forecast | i) realization |
| | j) flanking |

V. Match the terms and collocations from the text with their definitions.

- | | |
|----------------------|---|
| 1. strategy | a) any property owned by a person or a firm. |
| 2. asset | b) an ability of a manager to cope with control, organisation, etc. |
| 3. managerial skills | c) an object of ones endeavours, a goal, an aim. |
| 4. responsibility | d) a particular long-term plan for success especially in business or politics. |
| 5. tactics | e) the ability or authority to act or decide on one's own without supervision. |
| 6. consideration | f) a fact or circumstances to be taken into account when making a judgment or decision. |
| 7. objective | g) the manoeuvres used or plans followed to achieve a short-term plan. |

VI. Topic for discussion.

Learning how to manage by experience is the only really effective knowing what to do. Do you think this is true?

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